

Message Text

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14

ACTION NEA-10

INFO OCT-01 ISO-00 AGR-10 CIAE-00 DODE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 SP-02 AID-05 COME-00 EB-07

FRB-01 TRSE-00 XMB-04 OPIC-06 CIEP-02 LAB-04 SIL-01

OMB-01 SS-15 NSC-05 SAM-01 /100 W

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R 051315Z FEB 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9825

UNCLAS CAIRO 1520

E.O. 11652: N/A

TAGS: BAGB, EFIN, EINV, EG

SUBJECT: STATUS OF AG INTERNATIONAL CITRUS PROJECT

REFERECE: (A) STATE 26687 (B) 75 CAIRO 9006 (C) 75 STATE 247939

1. JOHN HOFF, PRESIDENT AG INTERNATIONAL, 17 BRIAR HOLLOW, HOUSTON, TEXAS 77027, PHONE: (713) 627-8420, TELEX: 775-706, BRIEFED EMBOFFS JAN. 27 RE STATUS OF SUBJECT PROJECT WHILE IN CAIRO FOR SIGNING OF LETTER OF INTENT. BASICALLY, PROPOSAL SUBMITTED BY HOFF CALLS FOR 50/50 JOINT VENTURE BETWEEN AG INTERNATIONAL AND MIN AGRICULTURE PROJECT IS VALUED AT US \$42 MILLION. AG WILL HAVE US \$2.5 MILLION EQUITY WITH BALANCE OF ITS SHARE FINANCED BY ARAB INTERESTS. AG IS TO PROVIDE ALL PLANNING AND MANAGEMENT SERVICES AT COST. AS YET UNDETERMINED CASH CONTRIBUTION BY MIN AGRICULTURE WILL BE IN UNSPECIFIED RATIO HARD CURRENCY/EGYPTIAN POUNDS. EGYPTIAN FUNDING WOULD OSTENSIBLY BE FROM ARAB SOURCES, ALSO.

2. PROJECT WILL ESTABLISH VERTICALLY INTEGRATED CITRUS PRODUCING, PROCESSING AND MARKETING OPERATIONS ON 15,000 ACRES OF RAW LAND BORDERING ALEXANDRIA-CAIRO DESERT ROAD APPROXIMATELY 75 KMS. SOUTH OF ALEXANDRIA. 12,000 ACRES ARE TO BE PLANTED IN CITRUS: 6,000 ACRES IN RED GRAPEFRUIT TO BE MARKETED IN
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WESTERN EUROPE AND 6,000 ACRES IN VARIOUS VARIETIES OF ORANGES FOR MID-EAST MARKET. OPERATION WILL REQUIRE 166

FULL-TIME EMPLOYEES WITH VARYING NUMBERS OF SEASONAL AND PART-TIME WORKERS. FULL PRODUCTION OF 120,000 TONS GRAPE-FRUIT AND 90,000 TONS ORANGES FOR YEAR 11.

3. HOFF IS PROJECTING 42 PERCENT RATE OF RETURN OVER ANTICIPATED 20 YEAR LIFE OF PROJECT. HIGH RETURN RESULT OF EXTREMELY HIGH CITRUS PRICES IN WESTERN EUROPE AND MID-EAST AS COMPARED WITH U.S. MARKET.

4. HOFF RADIATES ENTHUSIASM AND OPTIMISM REGARDING THIS PROJECT. HE APPEARS TO HAVE RECEIVED RED-CARPET RECEPTION AT EACH STEP OF WAY FROM GOE OFFICIALS CONCERNED, INCLUDING PM SALEM. DISCUSSIONS DISCLOSED, HOWEVER, THAT AG HAS NOT YET MADE APPLICATION TO INVESTMENT AND FREE ZONE AUTHORITY, WHICH EMBOFFS RECOMMENDED BE DONE FORTHWITH. HOFF INDICATED THAT PM SALEM HAD INSTRUCTED MIN AGRICULTURE TO EXECUTE LETTER OF INTENT OR HE (SALEM) WOULD DO SO. HOFF HAS NOT CONTACTED EMB SINCE SIGNING SO WE ARE NOT SURE WHO ACTUALLY EXECUTED AGREEMENT ON EGYPTIAN SIDE. ACTUAL CONTRACT EVIDENTLY IS YET TO BE SIGNED. EILTS

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